

## **EX-IM BANK EXPORT CREDIT INSURANCE SMALL BUSINESS ENVIRONMENTAL POLICY**

### **SUMMARY**

Small businesses which export environmentally related products and services can insure their credit sales of such U.S. products against loss due to nonpayment and develop an effective export promotion program with the Ex-Im Bank Small Business Environmental policy. The policy protects against failure of a foreign buyer to pay an obligation because of unforeseen commercial or political reasons. It helps increase overseas sales through the use of prudent credit extension practices.

Protected against loss, an exporter is often able to arrange for more attractive financing and, consequently, able to offer foreign buyers affordable and competitive credit terms. To encourage bank financing, a special agreement has been developed for financial institutions taking assignment of an insured's rights to any amount payable under the policy. If the assignee bank complies with its responsibilities, it will be protected from many defenses to nonpayment of a claim which ordinarily would be asserted.

### **WHAT IS COVERED**

The Small Business Environmental policy insures export sales of environmentally related U.S. products or services on a short-term credit basis. Products must be at least 51 percent U.S. content (labor and material) exclusive of mark-up and defense products are not eligible for cover. Short-term sales involve repayment terms ranging from payment upon delivery to payment at 180 days from the date of arrival of the goods at the port of importation. For capital goods repayment terms may be extended up to 360 days. A valid written obligation of the foreign buyer to pay is required on all insured transactions.

### **TYPES OF LOSSES COVERED**

The policy provides coverage on the insured percentage of a loss resulting from a default by a buyer. The default may be the result of one of the political risks defined in the policy, such as war, revolution, cancellation of an import or export license, or currency inconvertibility, or it may be for commercial reasons. Commercial risks under the policy are considered to be losses arising out of defaults for reasons other than the specifically defined political reasons.

### **HOW TO QUALIFY**

The Small Business Environmental policy is a special program for small financially viable businesses exporting environmentally related products and services. All companies applying for the policy must meet certain requirements. The applicant, together with its affiliates, must:

- be a small business as defined by the U.S. Small Business Administration (SBA);
- have a positive net worth with at least one year successful operating history; and
- be exporting specified environmentally related products and services

In addition, all of the following information is required to be submitted along with an application, form EIB92-50, for quotation:

- a current (not older than six months) credit agency report on the applicant, or \$35 to cover Ex-Im Bank's cost of ordering the report;
- written references from two of the applicant's suppliers and one from its bank;
- financial statements for the applicant's last 2 fiscal years (if an applicant desires an "Enhanced Assignment" the statements may be signed, compiled or audited depending on the credit limit requested).

Ex-Im Bank has published its Short-Term Credit Standards (EIB99-09) for Exporters which may be consulted to determine the likelihood of approval of a policy, a Discretionary Credit Limit, and an Enhanced Assignment, as well as the criteria for approval of buyers.

### **HOW THE POLICY WORKS**

The Small Business Environmental policy insures an exporter's sales to creditworthy buyers in most countries throughout the world. Ex-Im Bank generally requires a company to insure all eligible credit sales under the policy. This ensures a reasonable spread of risk for Ex-Im Bank and prevents an exporter from insuring only transactions considered marginal.

### **THE PERIOD COVERED**

The policy is written for one year, but is cancelable by either party on 30 days written notice. Receivables arising from shipments made during the policy year are covered.

Exporters may remain in the program indefinitely, provided that the company continues to meet the SBA definition of a small business.

### **PERCENTAGES OF COVER**

Coverage is 100 percent for political risks and 95 percent for commercial risks throughout the life of the policy. There is no first loss deductible for Small Business Environmental policyholders.

### **CREDIT LIMITS**

In addition to having an Ex-Im Bank policy in full force, the Insured must submit a Special Buyer Credit Limit (SBCL) application, form EIB92-51, for coverage on each eligible buyer, requesting Ex-Im Bank to establish a revolving credit limit. Once approved, this limit is endorsed to the policy.

When an SBCL is in effect, the insured may ship to that buyer repeatedly and be insured as long as the conditions of the SBCL, and the policy as a whole, are met and the outstanding amount does not exceed the authorized credit limit. For higher amounts, the insured may either request an increase in its SBCL or hold shipment until the buyer pays the outstanding amount. Each SBCL issued carries a final shipment date that limits the length of time Ex-Im Bank's coverage on the buyer is available.

Exporters with significant, satisfactory export **credit** experience may be granted Discretionary Credit Limits (DCL) which allow them to extend insured credit without prior approval from Ex-Im Bank.

#### **WHAT THE INSURED AGREES TO DO**

Among other things, the insured agrees to submit monthly premium reports, form EIB92-29, to Ex-Im Bank listing all reportable transactions. The insured also agrees to all of the following:

- not to further insure sales of goods or services to buyers already 90 days or more past due;
- to make written demand for payment upon the buyer no later than 30 days prior to submission of a claim;
- to exercise reasonable care to minimize or prevent losses;
- to generally refrain from rescheduling due dates without prior Ex-Im Bank approval.

Other agreements are specified in the policy.

#### **ELIGIBLE EXPORTS**

Products, devices and services must be specifically designed to aid in the abatement, control or prevention of air, water, noise and ground contamination or pollution, or which provide protection in the handling of toxic substances, subject to final determination by Ex-Im Bank. Examples are instruments to measure or monitor air or water quality; emission control devices; effluent pollution control devices; equipment for systems for waste disposal, refuse collection and waste water treatment; services to upgrade environmental regulations or assessments, design and training; ecological studies or monitoring equipment; toxic material handling devices; certain renewable and alternative energy equipment. Questions concerning eligibility should be directed to Ex-Im Bank's Environmental Division at (202) 565-3570.

#### **PREMIUM RATES**

All Small Business Environmental policies are endorsed with a rate schedule that states the appropriate premium rate applicable to each eligible shipment. Rates are determined by the length of the credit terms and type of buyer. A one-time advance premium of at least \$500 is required to issue a policy.

#### **PREMIUM PAYMENT**

All eligible shipments must be reported and premium paid by the 30th of the month following the date of shipment. If the insured fails to file any premium report, to declare any shipment or to pay any premium when due, Ex-Im Bank may at its option, terminate or continue the policy and hold the insured liable for payment of premium.

#### **OVERDUES AND CLAIMS**

Exporters must report, form EIB92-27, all insured buyers that fall into late payment situations on a monthly basis after obligations in excess of \$100,000 become 90 days past due. In all cases, these reports should continue for as long as the overdue situation exists, or until proof of loss claim forms are submitted.

When claims are submitted, copies of all documents pertaining to the transaction, such as invoices, bills of lading, debt instruments and guarantees, should also be included for review. Claims may be filed 90 days after default and must be filed within 240 days of default. Ex-Im Bank will process claims within 60 days of receiving a satisfactorily completed and documented proof of loss, form EIB92-25.

#### **ASSIGNMENT OF PROCEEDS**

Subject to Ex-Im Bank approval, policy proceeds may be assigned to a commercial bank or other lender. Thus, the policyholder can realize greater financial liquidity and flexibility in administering its foreign receivables portfolio.

To encourage bank financing, an enhanced agreement has been developed for financial institutions taking assignment of a Small Business Environmental insured's rights to any amount payable under the policy. Such an assignment is not available to exporters using and Ex-Im Bank or SBA Working Capital Loan Guarantee. If the assignee bank complies with its responsibilities, it will be protected from many defenses to nonpayment of a claim which ordinarily would be asserted.

The standard assignment is form EIB92-31. The enhanced assignment is form EIB92-53.

#### **MORE INFORMATION**

##### **Headquarters**

U.S. Toll Free Number	(800) 565-EXIM
Worldwide Number	(202) 565-3946
Insurance	(202) 565-3630 Fax (202) 565-3675
Internet	<a href="http://www.exim.gov">http://www.exim.gov</a>

##### **Regional Offices**

Northeast - New York	(212) 466-2950 Fax (212) 466-2959
Mid-Atlantic - Washington, DC	(202) 565-3940 Fax (202) 565-3932
Southeast - Miami	(305) 526-7425 Fax (305) 526-7435
Midwest - Chicago	(312) 353-8081 Fax (312) 353-8098
Southwest - Houston	(281) 721-0465 Fax (281) 679-0156
West - Long Beach	(562) 980-4580 Fax (562) 980-4590
<i>Satellite</i> - San Jose, CA	(408) 271-7300 ext. 104 Fax (408) 271-7307
<i>Satellite</i> - Orange County, CA	(949) 660-1688 ext. 150 Fax (949) 660-8039

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